

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE CITY OF SURPRISE, ARIZONA
AND
CLIFTON LARSON ALLEN, LLP**
Agreement Number: SAS12085

THIS PROFESSIONAL SERVICES AGREEMENT (this "Agreement") is made as of April 10, 2012, between the CITY OF SURPRISE, an Arizona municipal corporation (the "City") and CLIFTON LARSON ALLEN, LLP, (the "Consultant").

AGREEMENT

1. Term of Agreement. This Agreement shall be effective as of the date first set forth above and shall remain in full force and effect until June 30, 2013.
2. Scope of Work. The Consultant shall provide the Services as set forth in the attached Scope of Work, which is marked as *Exhibit A* and incorporated by reference herein.
3. Compensation. The City shall pay the Consultant for the Services as set forth in the attached Scope of Work/Proposal, which is marked as *Exhibit A* and incorporated by reference herein.
4. Payments. The City shall pay the Consultant subject to the Consultant submitting an invoice to the City for each requested payment. Invoices shall itemize all Services completed to the date of the invoice and provide sufficient detail to justify payment. Upon approval of the invoice, the City shall pay to the named Consultant in the contract unless otherwise indicated herein.
5. Ownership of Documents. All documents prepared and submitted to the City by the Consultant pursuant to this Agreement shall be the property of the City.
6. Consultant Personnel. The Consultant shall provide adequate, experienced personnel, capable of and devoted to the successful completion of the Services to be performed under this Agreement.
7. Inspection; Acceptance. All work shall be subject to inspection and acceptance by the City at reasonable times during the Consultant's performance.
8. Licenses; Materials. The Consultant shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by the Consultant, including City of Surprise business license. The City has no obligation to provide the Consultant, its employees or subcontractors any business

registrations or licenses required to perform the specific services set forth in this Agreement. The City has no obligation to provide tools, equipment or material to the Consultant.

9. Performance Warranty. The Consultant warrants that the Services rendered will conform to the requirements of this Agreement and to the highest professional standards in the field.

10. Standard of Professionalism. Contractor shall conduct all work consistent with professional standards for the industry and type of work being performed under the Agreement.

11. Insurance.

11.1. General.

11.1.1. Insurer Qualifications. Without limiting any obligations or liabilities of the Consultant, the Contractor shall purchase and maintain, at its own expense, hereinafter stipulated minimum insurance with insurance companies duly licensed by the State of Arizona with an AM Best, Inc. rating of A- or above with policies and forms satisfactory to the City. Failure to maintain insurance as specified herein may result in termination of this Agreement at the City's option.

11.1.2. No Representation of Coverage Adequacy. By requiring insurance herein, the City does not represent that coverage and limits will be adequate to protect the Consultant. The City reserves the right to review any and all of the insurance policies and/or endorsements cited in this Agreement but have no obligation to do so. Failure to demand such evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve the Consultant from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

11.2. Insurance Requirements.

11.2.1. Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

11.2.2. The *insurance requirements* herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The City in no way warrants that the minimum limits contained

herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

- 11.3. Minimum Scope and Limits of Insurance: Contractor shall provide coverage with limits of liability not less than those stated below.

11.3.1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.

General Aggregate	\$2,000,000
Products – Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Blanket Contractual Liability – Written and Oral	\$1,000,000
Fire Legal Liability	\$ 50,000
Each Occurrence	\$1,000,000

The policy shall be endorsed to include the following additional insured language: ***“The City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor”.***

Policy shall contain a waiver of subrogation against the City of Surprise, its departments, agencies, boards, commissions, and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

11.3.2. **Business Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL)\$1,000,000

The policy shall be endorsed to include the following additional insured language: ***“The City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor”.***

Policy shall contain a waiver of subrogation against the City, as departments, agencies, boards, commissions, officers, officials, agents, and

employees for losses arising from work performed by or on behalf of the Contractor.

11.3.3. **Worker's Compensation and Employers' Liability**

Workers' Compensation	Statutory
Employers' Liability	
Each Accident	\$ 500,000
Disease – Each Employee	\$ 500,000
Disease – Policy Limit	\$1,000,000

Policy shall contain a waiver of subrogation against the City of Surprise, its departments, agencies, boards, commissions, and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

11.3.4. **Professional Liability (Errors and Omissions Liability)**

Each Claim	\$ 500,000
Annual Aggregate	\$1,000,000

a. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

b. The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this contract.

11.4. **Additional Insurance Requirements:** The policies shall include, or be endorsed to include, the following provisions:

The City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees wherever additional insured status is required. Such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Contract.

The Contractor's insurance coverage shall be primary insurance with respect to all other available sources.

Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.

11.5. **Notice of Cancellation:** Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be

suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been given from the Consultant to the City. Such notice shall be sent directly to the City Procurement.

11.6. Acceptability of Insurers: Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A- VII. The City in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

11.7. Verification of Coverage: Contractor shall furnish the City with a declarations page of the liability insurance policy, as well as any amendments or riders in order to verify contractual insurance requirements are being satisfied.

All certificates and endorsements are to be received and approved by the City's Procurement department before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to the City Procurement division. The City project/contract number, if applicable, and project description shall be noted on the certificate of insurance. The City reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time.

11.8. Subcontractors: Contractors' certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall furnish to the City separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

11.9. Approval: Any modification or variation from the *insurance requirements* in this Contract shall be made by the City, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

12. Indemnification. To the fullest extent permitted by law, the Consultant shall indemnify, defend and hold harmless the City and each council member, officer, board, commission, officers, officials, employee or agent thereof (the City and any such person being herein called an "Indemnified Party"), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, claims processing, investigation, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such

Claims (or actions in respect thereof) relate to, arise out of, or are caused by or in connection with the negligent or willful acts or omissions of work or professional services of the Consultant, its officers, employees, agents, or any tier of subcontractor in the performance of this Agreement. In consideration of the award of this contract, the Consultant agrees to waive all rights of subrogation against the City, its officers, officials, agents and employees for losses arising from the work performed by the Consultant for the City. The amount and type of insurance coverage requirements set forth below will in no way be construed as limiting the scope of the indemnity in this Section.

13. Applicable Law; Venue. In the performance of this Agreement, the Consultant shall abide by and conform to any and all laws of the United States, State of Arizona and City of Surprise, including but not limited to, federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this Agreement. This Agreement shall be governed by the laws of the State of Arizona and suit pertaining to this Agreement may be brought only in courts in the State of Arizona.

14. Termination; Cancellation.

14.1 For City's Convenience. This Agreement is for the convenience of the City and, as such, may be immediately terminated without cause after receipt by the Consultant of written notice by the City. Upon termination for convenience, the Consultant shall be paid for all undisputed services performed to the termination date.

14.2 Conflict of Interest. This Agreement is subject to the provisions of ARIZ. REV. STAT. § 38-511. The City may cancel this Agreement without penalty or further obligations by the City or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the City or any of its departments or agencies is, at any time while the Agreement or any extension of the Agreement is in effect, an employee of any other party to the Agreement in any capacity or a consultant to any other party of the Agreement with respect to the Agreement's subject.

15. Fund Appropriation Contingency. The Consultant understands that the continuation of this Agreement after the close of any given fiscal year of the City, which ends on June 30, shall be subject to the budget of the City providing for the contract item as an expenditure. The City cannot assure that the budget item for funding this Agreement will be approved in the future; as such assurance would be a legislative and policy determination of the City Council at the time of the adoption of the budget. Should the funding of the Agreement not be approved by City Council, the City may terminate this Agreement as of the close of its fiscal year.

16. Miscellaneous.

- 16.1. Independent Contractor. The Consultant acknowledges and agrees that the Services provided under this Agreement are being provided as an independent contractor, not as an employee or agent of the City. The Consultant, its employees and subcontractors are not entitled to workers' compensation benefits from the City. The City does not have the authority to supervise or control the actual work of the Consultant, its employees or subcontractors. The Consultant, and not the City, shall determine the time of its performance of the services provided under this Agreement so long as the Consultant meets the requirements of its agreed scope of work as set forth in Section 2 above. The Consultant is neither prohibited from entering into other contracts nor prohibited from practicing its profession elsewhere. The City and the Consultant do not intend to nor will they combine business operations under this Agreement.
- 16.2. Laws and Regulations. The Consultant shall keep fully informed and shall at all times during the performance of its duties under this Agreement ensure that it and any person for whom the Consultant is responsible remains in compliance with all rules, regulations, ordinances, statutes or laws affecting the Services, including the following: (i) existing and future City and County ordinances and regulations, (ii) existing and future state and federal laws and (iii) existing and future Occupational Safety and Health Administration ("OSHA") standards.
- 16.3. Amendments. This Agreement may be modified only by a written amendment signed by persons duly authorized to enter into contracts on behalf of the City and the Consultant.
- 16.4. Provisions Required by Law. Each and every provision of law and any clause required by law to be in the Agreement will be read and enforced as though it were included herein and, if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the Agreement will promptly be physically amended to make such insertion or correction.
- 16.5. Severability. The provisions of this Agreement are severable to the extent that any provision or application held to be invalid by a Court of competent jurisdiction shall not affect any other provision or application of the Agreement which may remain in effect without the invalid provision or application.
- 16.6. Relationship of the Parties. It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Consultant is advised that taxes or Social Security payments

will not be withheld from any City payments issued hereunder and the Consultant agrees to be fully and solely responsible for the payment of such taxes or any other tax applicable to this Agreement.

- 16.7. Entire Agreement; Interpretation; Parol Evidence. This Agreement represents the entire agreement of the parties with respect to its subject matter, and all previous agreements, whether oral or written, entered into prior to this Agreement are hereby revoked and superseded by this Agreement. No representations, warranties, inducements or oral agreements have been made by any of the parties except as expressly set forth herein, or in any other contemporaneous written agreement executed for the purposes of carrying out the provisions of this Agreement. This Agreement shall be construed and interpreted according to its plain meaning, and no presumption shall be deemed to apply in favor of, or against the party drafting the Agreement. The parties acknowledge and agree that each has had the opportunity to seek and utilize legal counsel in the drafting of, review of, and entry into this Agreement.
- 16.8. Assignment. No right or interest in this Agreement shall be assigned by the Consultant without prior, written permission of the City signed by the City Manager and no delegation of any duty of the Consultant shall be made without prior, written permission of the City signed by the City Manager. Any attempted assignment or delegation by the Consultant in violation of this provision shall be a breach of this Agreement by the Consultant.
- 16.9. Subcontracts. No subcontract shall be entered into by the Consultant with any other party to furnish any of the material or services specified herein without the prior written approval of the City. The Consultant is responsible for performance under this Agreement whether or not subcontractors are used.
- 16.10. Rights and Remedies. No provision in this Agreement shall be construed, expressly or by implication, as waiver by the City of any existing or future right and/or remedy available by law in the event of any claim of default or breach of this Agreement. The failure of the City to insist upon the strict performance of any term or condition of this Agreement or to exercise or delay the exercise of any right or remedy provided in this Agreement, or by law, or the City's acceptance of and payment for services, shall not release the Consultant from any responsibilities or obligations imposed by this Agreement or by law, and shall not be deemed a waiver of any right of the City to insist upon the strict performance of this Agreement.
- 16.11. Attorneys' Fees. In the event either party brings any action for any relief, declaratory or otherwise, arising out of this Agreement or on account of any breach or default hereof, the prevailing party shall be entitled to receive from the other party reasonable attorneys' fees and reasonable costs and expenses, determined by the court sitting without a jury, which shall be

deemed to have accrued on the commencement of such action and shall be enforced whether or not such action is prosecuted through judgment.

16.12. Liens. All materials or services shall be free of all liens and, if the City requests, a formal release of all liens shall be delivered to the City.

16.13. Notices and Requests. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered to the party at the address set forth below, (ii) deposited in the U.S. Mail, registered or certified, return receipt requested, to the address set forth below, (iii) given to a recognized and reputable overnight delivery service, to the address set forth below or (iv) delivered by facsimile transmission to the number set forth below:

If to the City: City of Surprise
16000 North Civic Center Plaza
Surprise, Arizona 85374-7470
Facsimile: 623-222-Click here to enter text.
Attn: Click here to enter text.

With copy to: Surprise City Attorney's Office
16000 North Civic Center Plaza
Surprise, Arizona 85374-7470
Facsimile: 623-222-1101

If to Consultant: Clifton, Larson, Allen, LLP
1201 South Alma School Road, Suite 14000
Mesa, AZ 85210-2096
480-615-2300, fax 480-615-2350

or at such other address, and to the attention of such other person or officer, as any party may designate in writing by notice duly given pursuant to this Section. Notices shall be deemed received (i) when delivered to the party, (ii) three business days after being placed in the U.S. Mail, properly addressed, with sufficient postage, (iii) the following business day after being given to a recognized overnight delivery service, with the person giving the notice paying all required charges and instructing the delivery service to deliver on the following business day, or (iv) when received by facsimile transmission during the normal business hours of the recipient. If a copy of a notice is also given to a party's counsel or other recipient, the provisions above governing the date on which a notice is deemed to have been received by a party shall mean and refer to the date on which the party, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

- 16.14 Confidentiality of Records. The Consultant shall establish and maintain procedures and controls that are acceptable to the City for the purpose of ensuring that information contained in its records or obtained from the City or from others in carrying out its obligations under this Agreement shall not be used or disclosed by it, its agents, officers, or employees, except as required to perform the Consultant's duties under this Agreement. Persons requesting such information should be referred to the City. The Consultant also agrees that any information pertaining to individual persons shall not be divulged other than to employees, agents or officers of the Consultant as needed for the performance of duties under this Agreement.
- 16.15 Public Records. Notwithstanding any provisions of this Agreement regarding confidentiality, secrets, or protected rights, the Consultant acknowledges that all documents provided to the City may be subject to disclosure by laws related to open public records. Consequently, the Consultant understands that disclosure of some or all of the items subject to this Agreement may be required by law. In the event City receives a request for disclosure that is reasonably calculated to incorporate information that might be considered confidential by Consultant, the City agrees to provide the Consultant with notice of that request, which shall be deemed given when deposited by the City with the USPS for regular delivery to the address of the Consultant specified in 14.13. Within ten (10) days of City notice by the City, the Consultant will inform the City in writing of any objection by the Consultant to the disclosure of the requested information. Failure by the Consultant to object timely shall be deemed to waive any objection and any remedy against the City for disclosure. In the event the Consultant objects to disclosure within the time specified, the Consultant agrees to handle all aspects related to request, including properly communicating with the requestor and timely responding with information the disclosure of which the Consultant does not object thereto. Furthermore, the Consultant agrees to indemnify and hold harmless the City from any claims, actions, lawsuits, or any other controversy or remedy, in whatever form, that arises from the failure to comply with the request for information and the laws pertaining to public records, including defending the City in any legal action and payment of any penalties or judgments. This provision shall survive the termination of this Agreement.
- 16.16 Conflicting Terms. In the event of a conflict between the Exhibits and this Agreement, the terms of this Agreement shall govern.
- 16.17 Compliance with Federal Immigration Laws and Regulations. Consultant warrants that it complies with all Federal Immigration laws and regulations that relate to its employees and complies with A.R.S. § 23-214.A. Consultant acknowledges that pursuant to A.R.S. § 41-4401, a breach of this warranty is a material breach of this contract subject to penalties up to and including

termination of this contract, and that the City retains the legal right to inspect the papers of any employee who works on the contract to ensure compliance with this warranty.

- 16.18 Prohibition on Iran investments. As required by A.R.S. §§ 35-391.06 and 35-393.06, Contractor certifies that is does not have a scrutinized business operation in either Sudan or Iran.

The parties hereto have executed this instrument as of the date and year first set forth above.

For the "City"

For the "Consultant"

By: _____
Chris Hillman, City Manager

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

Michael D. Bailey, City Attorney

For City Internal Use only:

Signature for Scope/Content approval:

Department Director

Signature for Procurement/Budget Approval:

Procurement Manager

EXHIBITS
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE CITY OF SURPRISE, ARIZONA
AND
CONSULTANT
[Scope of Work/Fee Schedule/Proposal]

See following pages.



CliftonLarsonAllen LLP
1201 South Alma School Road, Suite 14000
Mesa, AZ 85210-2096
480-615-2300, fax 480-615-2350

March 15, 2012

Mr. Scott McCarty, Chief Financial Officer
City of Surprise
16000 N Civic Center Plaza
Surprise, Arizona 85374-7470

Dear Mr. McCarty:

We are pleased to serve you as the independent accountants for the City of Surprise (City). CliftonLarsonAllen LLP (CLA), an independent public accounting firm, will conduct a performance audit focused on the internal controls and risk assessment relating to the assessment and collection of development impact fees. The objectives of our services are as follows:

- To verify that the systems and processes used to assess, track, and collect development impact fees are adequately designed and implemented to mitigate the risks of improper assessment, improper tracking, and non collection of development impact fees.
- To verify applicable building permits were charged the correct development impact fees based on the City's regulations.
- To verify that the assessed development impact fees were collected by the City.
- To verify that the assessed development impact fees were accounted for in the appropriate fund.

The purpose of this letter is to make certain required communications under professional standards, describe our expectation of City management, and to clarify the nature, extent, and limitations of the services to be provided. Sandra Cronstrom will be the engagement partner responsible for all of the services provided to you. She will be assisted by Karen Lyzinski, Engagement Director and other staff members of CLA as deemed necessary.

Auditor Responsibilities

CLA's audit service will be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that CLA obtain reasonable, rather than absolute, assurance about whether (1) the systems and processes used to assess, track, and collect development impact fees are adequately designed and implemented to mitigate the risks of improper assessment, improper tracking, and non collection of development impact fees, (2) applicable building permits were charged the correct development impact fees based on the City's regulations, (3) assessed development impact fees were collected by the City, and (4) assessed development impact fees were accounted for in the appropriate fund.

The charges for our work will be billed at the rate of \$195 per hour for Partner; \$130 per hour for Engagement Director and Senior; \$105 per hour for staff and \$80 per hour for clerical. In consideration of the charges for our work, it is our understanding that the documentation and records that we will need will be available for us to begin work in April 2012. We also expect that your office personnel will help us by locating and providing building permit records, development impact fee records and fee schedules, development agreements and other entity documents and records that we request. We will advise you before undertaking any work that would require an increase in the fee arrangement. If, for any reason, CLA is unable to complete the audit or is unable to form an opinion, it may decline to express an opinion.

Management Responsibilities

City management is responsible for assessing, tracking, and collecting development impact fees in conformity with U.S. generally accepted accounting principles. This includes maintaining adequate accounting records of building permits and development impact fees. Management is also responsible for designing and implementing programs and controls to prevent and detect fraud, and for informing us of all known, suspected or alleged fraud involving the assessing, tracking, and collecting development impact fees; establishing and maintaining effective internal control over financial reporting and compliance; and ensuring compliance with laws and regulations and provisions of contracts and grant agreements applicable to development impact fees activities.

City management is responsible for making all building permit and development impact fees records and related information available to CLA to conduct the audit. To make efficient use of audit resources and expedite audit completion, CLA will request assistance from City staff. This assistance may include preparing schedules or analyses; locating, copying, and providing selected documents; and participating in meetings. CLA will discuss this assistance with City staff. Throughout the audit, CLA will work with City staff to obtain information needed for the completion of the audit and to arrive at mutually acceptable timeframes for the delivery of requested data.

Limitation on Who May Use Our Services

It is our understanding that the primary intent of engaging our professional audit services is for the benefit of the City's management of the assessing, tracking, and collecting of development impact fees. Our services are not intended to benefit or influence any other person or entity.

Ownership, Retention, Access and Production of Workpapers and Original Documents

At the conclusion of our services, we will promptly return all original City documents and records. Original City records are the primary records for your operations and comprise the principal backup and support for the assessing, tracking, and collecting of development impact fees. City management should take the appropriate actions necessary to safeguard and preserve these original records. Any information that may be contained in our working papers is not a substitute for your own original records.

Mr. Scott McCarty, Chief Financial Officer
City of Surprise
March 15, 2012
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The working papers supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we will retain our workpapers for a minimum of seven years after the report release date.

We will provide access to our workpapers to applicable Federal entities for their oversight purposes. Access to the requested workpapers will be provided to authorized representatives in accordance with the terms of the aforementioned contract.

In the event our workpapers are subpoenaed, we will require that your legal counsel assist us in obtaining a protective order, to prevent public disclosure of our workpapers. Should we ultimately be required by a Federal entity, subpoena, or other enforceable action to provide copies of our workpapers, you agree to reimburse us for the time and out of pocket expense, including our legal fees, necessary to comply with such order.

CLA may, from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information, and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, the firm will remain responsible for the work provided by any such third-party service providers.

Other Matters

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our most recent peer review report accompanies this letter.

We very much appreciate the opportunity to perform the professional services outlined in this engagement letter. This letter is an integral part of the terms of our engagement and contains important and critical information. Should this letter not represent your understanding of the nature and extent of this engagement, please let us know. Otherwise, please sign below accepting the concepts described in this letter.

Mr. Scott McCarty, Chief Financial Officer
City of Surprise
March 15, 2012
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We look forward to a successful engagement and appreciate City management's cooperation in working with CLA to complete the audit in a timely manner. Should you have any questions or need further information at any time throughout the course of this audit, please contact:

Ms. Sandra L Cronstrom at 480-615-2355 or Sandra.Cronstrom@cliftonlarsonallen.

Very truly yours,

CLIFTON LARSON ALLEN LLP

The services described in the foregoing letter are in accordance with our requirements, and we understand and agree to the terms and conditions recited above.

CITY OF SURPRISE

By

Title

Date

System Review Report

To the Principals of LarsonAllen LLP
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of LarsonAllen LLP (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*; audits of employee benefit plans, and an audit performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice applicable to non-SEC issuers of LarsonAllen LLP in effect for the year ended March 31, 2010 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. LarsonAllen LLP has received a peer review rating of *pass*.

Clifton Gunderson LLP

August 13, 2010



System Review Report

To the Partners of
Clifton Gunderson LLP
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Clifton Gunderson LLP (the firm) applicable to non-SEC issuers in effect for the year ended July 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Clifton Gunderson LLP applicable to non-SEC issuers in effect for the year ended July 31, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Clifton Gunderson LLP has received a peer review rating of *pass*.

Weaver and Tidwell, LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 3, 2010